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OFFICE OF THE  
EXECUTIVE SECRETARY

June 25, 1999

VIA HAND DELIVERY

Mr. David Waddell  
Executive Secretary  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37201

Re: *BellSouth Telecommunications, Inc.*  
*Tariff to Introduce New LATA Wide Version*  
*Of Area Plus® Service*  
Docket No. 98-00634

Dear Mr. Waddell:

Enclosed for filing are the original and thirteen copies of AT&T's Revised Responses to BellSouth's Data Requests. A copy has been served upon parties of record.

Yours very truly,



Jim Lamoureux

JPL/ghc  
Enclosures

cc: Guy Hicks, Esq.  
Bennett Ross, Esq.  
Richard Collier, Esq.

**BEFORE THE  
TENNESSEE REGULATORY AUTHORITY  
Nashville, Tennessee**

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REGULATORY AUTH.

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OFFICE OF THE  
EXECUTIVE SECRETARY

Re: BellSouth Telecommunications, Inc )  
Tariff to Introduce New LATA )  
Wide Version of Area Plus® ) Docket No. 98-00634  
Service )

**AT&T'S REVISED RESPONSES  
TO BELL SOUTH'S DATA REQUESTS**

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Pursuant to the Pre-Hearing Officer's Initial Order Granting in Part and Denying in Part BellSouth's Motion to Compel Discovery from Competing Intervenor, AT&T Communications of the South Central States, Inc. ("AT&T") hereby serves and files its Revised Responses to BellSouth's Data Requests.

**DATA REQUESTS**

1. Please identify each state in which AT&T provides intraLATA exchange access service.

**AT&T provides intraLATA toll service in each state in which intraLATA toll dialing parity has been implemented. Specifically, AT&T provides intraLATA toll service in each of the 9 states in BellSouth's serving territory (AL, FL, GA, KY, LA, MS, NC, SC, and TN).**

2. For each state identified in response to Data Request No. 1, please identify any state in which an incumbent local exchange telephone company offers residential or business customers LATA-wide local calling for a flat monthly rate. In answering this Data Request, please:
- (a) identify each such incumbent local exchange telephone company;
  - (b) state the rate, terms and conditions of the offering by each such incumbent;
  - (c) identify any differences in the offering by each such incumbent and the rates, terms and conditions of BellSouth's proposed LATA Wide Area Plus Service; and
  - (d) state whether full intraLATA subscription has been implemented by each such incumbent.

**AT&T has conducted a reasonable and diligent search of information in its possession, custody, and control, but has been unable to determine that any ILEC other than BellSouth offers a flat-rated LATA-wide local calling plan. However, upon information and belief, GTE has filed a tariff for a flat-rated LATA-wide calling plan in Alabama, but GTE's tariff has not yet been approved by the Alabama Public Service Commission. Furthermore, in response to AT&T's First Set of Data Requests, Item No. 29, dated February 22, 1999,**

**BellSouth responded, “BellSouth is not aware of any ILECS offering that type service to their customers for termination to a BellSouth customer.”**

3. Does AT&T contend that BellSouth has not implemented intraLATA toll dialing parity in the State of Tennessee? If so, please explain in detail the basis for each such contention, identify all facts supporting each such contention, and produce all documents supporting each such contention.  
**No, AT&T does not contend that BellSouth has not implemented intraLATA toll dialing parity in Tennessee.**
4. Does AT&T contend that in the State of Tennessee, AT&T currently is authorized to complete only the four types of intraLATA calls listed in Paragraph 5 of AT&T’s Petition for Leave to Intervene? If so, please explain in detail the basis for each such contention, identify all facts supporting each such contention, and produce all documents supporting each such contention.  
**No, AT&T does not contend that it is currently authorized to complete only the four types of intraLATA calls listed in Paragraph 5 of AT&T’s Petition for Leave to Intervene.**
5. Does AT&T currently offer to complete within the State of Tennessee any type of intraLATA calls other than the four types of intraLATA calls listed

in Paragraph 5 of AT&T's Petition for Leave to Intervene? If so, please describe such intraLATA calls in detail.

**The phrase "any type of intraLATA call" is vague, ambiguous, and undefined. However, AT&T responds that an identification of the services it provides in Tennessee "may be derived or ascertained" by BellSouth from a review of AT&T's Tennessee tariffs. The burden, therefore, of deriving or ascertaining this information is substantially the same for BellSouth as it is for AT&T. See T.C.R.P. 33.03.**

6. Section 65-5-208 (c) provides, in part, that the price floor for an incumbent local exchange telephone company's competitive services "shall equal the incumbent local exchange telephone company's tariffed rates for essential elements utilized by competing telecommunications service providers plus the total long-run incremental cost of the competitive elements of the service." With regard to BellSouth's proposed LATA Wide Area Plus Service, please identify:

- (a) all elements that comprise BellSouth's proposed LATA Wide Area Plus Service AT&T contends are "essential elements utilized by competing telecommunications service providers";

**Assuming that BellSouth's LATA Wide Area Plus Service is a competitive service within the meaning of T.C.A. § 65-5-208(c), the**

**essential elements used by AT&T and other competing telecommunications service providers within the meaning of the statute are BellSouth's intraLATA exchange access services, which competing telecommunications service providers must purchase from BellSouth in order to provide intraLATA services. If the price floor is determined for only the provision of the intraLATA portion of BellSouth's LATA Wide Area Plus service, then the essential elements are switching, transport, RIC, and CCL.<sup>1</sup>**

(b) the rate AT&T contends is applicable for each element identified in

AT&T's response to subsection (a) of this Data Request;

**The appropriate rates for access (if the price floor is calculated only for the intraLATA portion of the service) are the rates set forth in BellSouth's Tennessee access tariffs.**

(c) all elements that comprise BellSouth's proposed LATA Wide

Area Plus Service AT&T contends are "competitive elements" of

the service; and

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<sup>1</sup> If the price floor is determined for the entirety of BellSouth's LATA Wide Area Plus service, then the essential elements would be all the elements a competing telecommunications services provider must purchase from BellSouth in order to provide similar LATA-wide local service. Those elements are: (1) the loop (including the NID), (2) switching (both the port and the usage sensitive elements), and (3) transport.

**The “competitive elements” of the service are all the cost elements BellSouth incurs in addition to the essential elements in providing its LATA Wide Area Plus Service. Because AT&T does not possess information as to BellSouth’s internal cost structure, AT&T does not possess the information as to what those cost elements are, or the amount of each such cost element. BellSouth did not provide information in this proceeding to allow AT&T to identify those cost elements of the service or the amount of each such cost element. However, as AT&T set forth in its Response to BellSouth’s Motion to Compel, a logical approach to identifying the competitive elements of BellSouth’s service would be to begin with the cost components the TRA identified in the resale discount proceeding as cost components which BellSouth would avoid by providing service wholesale to its competitors. There is a logical analogy that may be drawn between the “avoided costs” of a resold service and the “competitive elements” of a service. Both concepts embody the idea of costs which may be borne competitively by carriers providing the same or similar service, and both concepts allow a comparison of equivalent competitive costs a competing telecommunications services provider must incur in the**

**provision of the service. The TRA has identified the avoided costs as including costs in the following cost accounts:**

**Directly avoided (avoided at 100%)**

- **Account 6611 Product management**
- **Account 6612 Sales**
- **Account 6613 Product advertising**
- **Account 6623 Customer service**

**Indirectly avoided (at 15%)**

- **Account 6121 Land and buildings**
- **Account 6122 Furniture and artwork**
- **Account 6123 office equipment**
- **Account 6124 general purpose computer**
- **Account 6711 executive**
- **Account 6712 planning**
- **Account 6721 accounting and finance**
- **Account 6722 external relations**
- **Account 6723 human resources**
- **Account 6724 information management**
- **Account 6725 legal**
- **Account 6726 procurement**

**Indirectly avoided (at 100%)**

**Account 5301 uncollectable revenues.**

- (d) the cost AT&T contends is the total long-run incremental cost of each element identified in AT&T's response to subsection (c) of this Data Request.

**It is BellSouth's burden to identify the competitive elements of its service and to identify the TELRIC of those elements. AT&T does**



**not have sufficient information available to it to perform the analysis set forth in T.C.A. § 65-5-208(c).**

7. Does AT&T contend that BellSouth's price for its proposed LATA Wide Area Plus Service does not adhere to the price floor set forth in T.C.A. §65-5-208(c)? If so, please explain in detail the basis for AT&T's contention, identify all facts supporting this contention, and produce all documents supporting this contention.

**AT&T contends that it is BellSouth's burden to make the showing required by T.C.A. § 65-5-208(c), and that, having failed to even provide any information in satisfaction of its burden, BellSouth's tariff should be denied. Moreover, AT&T is unable to ascertain whether BellSouth's LATA Wide Area Plus Service satisfies the requirements of T.C.A. § 65-5-208(c), because BellSouth has not provided information to AT&T or the TRA to be able to conduct such an analysis.**

8. Does AT&T contend that BellSouth's price for its proposed LATA Wide Area Plus Service exceeds the stand alone cost of the service as required by T.C.A. §65-5-208 (d)? If so, please explain in detail the basis for this contention, identify all facts supporting this contention, and produce all documents supporting this contention.

**AT&T contends that it is BellSouth's burden to make the showing required by T.C.A. § 65-5-208(d), and that, having failed to even provide any information in satisfaction of its burden, BellSouth's tariff should be denied. Moreover, AT&T is unable to ascertain whether BellSouth's LATA Wide Area Plus Service satisfies the requirements of T.C.A. § 65-5-208(d), because BellSouth has not provided information to AT&T or the TRA to be able to conduct such an analysis.**

9. Please explain in detail the manner in which AT&T contends the "stand alone cost" of BellSouth's proposed LATA Wide Area Plus Service should be calculated pursuant to T.C.A. §65-5-208 (c), identify what AT&T contends such "stand alone cost" to be, and produce all documents supporting this contention.

**AT&T is unable to respond to this data request because BellSouth has not provided sufficient information to AT&T or the TRA to be able to conduct such an analysis.**

10. Does AT&T contend that BellSouth's proposed LATA Wide Area Plus Service is anti-competitive, unfair, or discriminatory? If so, please explain in detail the basis for each such contention, identify all facts supporting

each such contention, and produce all documents supporting each such contention.

**Yes, BellSouth's LATA Wide Area Plus Service is anticompetitive, unfair, and discriminatory for the reasons set forth in AT&T's Petition for Leave to Intervene and in Mr. King's Direct Testimony. As Mr. King testifies:**

Through its LATA-wide Area Plus® service, BellSouth offers its customers local service plus unlimited intraLATA calling for a simple flat rate charge of \$31.00 per month. Today, a customer in BellSouth's Tennessee local service rate group 5 pays \$12.15 for basic local service. Under BellSouth's LATA-wide Area Plus® service, that same customer would effectively pay a flat rate of \$18.85 (\$31.00 – 12.15) per month for unlimited intraLATA toll service.

While interexchange carriers (IXCs) are permitted to compete with BellSouth for the provision of intraLATA toll services in Tennessee, BellSouth charges these IXCs approximately \$0.073 per minute in switched access charges for each intraLATA toll minute. Thus, IXCs must pay BellSouth \$0.073 per minute for each intraLATA toll minute that competes with a BellSouth LATA-wide Area

Plus® call. Thus, if an IXC's customer purchases 260 minutes of the IXC's toll in a given month, BellSouth would bill the IXC approximately \$18.99 – more than BellSouth charges its end user customers for unlimited toll service. If the IXC's customer makes additional toll calls, the IXC continues to be billed by BellSouth an additional \$0.073 per minute. A BellSouth LATA-wide Area Plus® customer, on the other hand, incurs no additional billing for additional minutes of use. . . .

. . . . Because access charges are real charges to IXCs, the introduction of BellSouth's LATA-wide Area Plus®, combined with BellSouth's inflated access charges, would effectively preclude IXCs from competing for medium to high use intraLATA toll customers in BellSouth territory in Tennessee. This is anti-competitive and unjust. Moreover, BellSouth is discriminating against wholesale customers in favor of retail customers for the provision of intraLATA services.

Moreover, it is important to remember that this analysis demonstrates that in many cases AT&T cannot offer competitive services that would cover the switched access costs incurred in the completion of a competitive call, *much*

***less the other operating expenses*** (e.g., retail costs) necessary to offer a competing service. In other words, BellSouth's pricing structures effectively foreclose competition in the market for intraLATA toll services in Tennessee.

. . . . Area Plus® is anti-competitive because the particular pricing structure, in relation to the excessive access rates charged by BellSouth in Tennessee, provides a significant (perhaps overwhelming) barrier to competitive entry by other providers who must price their competitive services to cover BellSouth's excessive access charges. Keep in mind that access charges are real expenses (real money) to BellSouth's competitors. BellSouth, in contrast, incurs significantly less actual expense to provide access services, allowing it to foreclose potential competitors by pricing its services above its costs but below the access expense it forces its competitors to incur to serve medium to high volume consumers.

It thus appears that LATA-wide Area Plus® service is part of a BellSouth effort to preserve its intraLATA monopoly by introducing intraLATA services either at price levels that are below the prices charged for switched access service or at

price levels where inflated access charges create price squeezes. It is particularly telling that BellSouth introduced or attempted to introduce these service offerings while at the same time refusing to implement intraLATA toll dialing parity in Tennessee, in an obvious effort to forestall competition before it can even gain a foothold.

(King Direct at 4-5, 8-9)

11. Does AT&T contend that BellSouth's proposed LATA Wide Area Plus Service is an anticompetitive practice within the meaning of T.C.A. §65-5-208 (c)? If so, please explain in detail the basis for this contention, identify all facts supporting this contention, and produce all documents supporting this contention.

**Yes, BellSouth's LATA Wide Area Plus Service is an anticompetitive practice within the meaning of T.C.A. § 65-5-208(c), for the reasons set forth in AT&T's Petition for Leave to Intervene and in Mr. King's Direct Testimony. See AT&T's Response to Data Request No. 10, above.**

12. Does AT&T contend that BellSouth's proposed LATA Wide Area Plus Service will unreasonably or unjustly discriminate against non-BellSouth customers, unduly prefer BellSouth's customers, promote price squeezing,

promote price discrimination, or constitute other anti-competitive practices in violation of T.C.A. §§65-4-115, 65-4-122, or 65-5-204? If so, please explain in detail the basis for each such contention, identify all facts supporting each such contention, and produce all documents supporting each such contention.

**Yes. See AT&T's Response to Data Request No. 10, above. In addition, BellSouth's service is anti-competitive, unjust and discriminatory even if it meets the price floor requirement. As Mr. King testifies:**

A correctly calculated price floor only demonstrates that BellSouth can not underprice its competitors who much purchase access from BellSouth. However, imputed costs are not real costs to BellSouth; in fact; they are revenues, and an imputation analysis does not in any way ensure that BellSouth can not leverage its monopoly power to harm competition. Moreover, the structure of access itself affords BellSouth the opportunity to discriminate. BellSouth prices intraLATA access service in Tennessee on a per minute basis only. Thus, BellSouth is proposing to charge its end user Tennessee customers for intraLATA service on flat per

month fee basis, while charging its competitors (its wholesale customers) **only** on a per minute basis for intraLATA access. Indeed, BellSouth surely intends to position this difference between per minute and per month pricing as a major selling point of the plan. Thus, while BellSouth will not consider charging for access on a [flat rated] basis (See BellSouth Response to AT&T Data Request No. 24), it fully intends to offer its retail customers calling plans based on a flat per month fee basis.

By continuing to charge for intrastate intraLATA access only a per minute basis while charging end user retail customers for intraLATA calling on a per call or flat fee per month basis, BellSouth discriminates in the provision of service and engages in anti-competitive conduct.

(King Rebuttal at 13)

13. Does AT&T contend that BellSouth's proposed LATA Wide Area Plus Service constitutes an unjust or unreasonable increase, change, or alteration of rates in violation of T.C.A. §65-5-203? If so, please explain in detail the basis for each such contention, identify all facts supporting



each such contention, and produce all documents supporting each such contention.

**Yes. See AT&T's responses to Data Request Nos. 10 and 13, above.**

14. Paragraph 10 of AT&T's Petition for Leave to Intervene states that "Tennessee consumers using AT&T or other IXC's to complete intraLATA calls must pay much higher rates than those which would be charged by BST under the subject tariff." Please explain in detail the basis for this contention, identify all facts supporting this allegation, and produce all documents supporting this allegation.

**Tennessee consumers using AT&T or other IXCs to complete intraLATA calls must pay much higher rates than those which would be charged by BST under the subject tariff as a result of the inflated intraLATA exchange access rates which AT&T and other IXCs must pay to BellSouth for the origination and termination of intraLATA toll calls. The true cost of access is the economic cost of interconnection, such as the cost which will be established in the UNE Permanent Cost proceeding, which is the cost BellSouth incurs in providing intraLATA services. However, as repeatedly conceded by BellSouth, access charges are priced well above the cost of providing**

**such access, which results in AT&T and other IXC's incurring costs to provide intraLATA toll calls which BellSouth does not incur itself.**

15. Does AT&T contend that BellSouth's proposed LATA Wide Area Plus Service results in cross-subsidization, preferences to competitive services or affiliated entities, predatory pricing or tying arrangements pursuant to T.C.A. §65-5-208(c)? If so, please explain in detail the basis for each such contention, identify all facts supporting each such contention, and produce all documents supporting each such contention.

**Yes. See AT&T's responses to Data Request Nos. 10 and 13, above.**

16. Does AT&T contend that BellSouth's proposed LATA Wide Area Plus Service results in any unreasonable, unjust, or unduly preferential or discriminatory practice, rates, or charges? If so, please explain in detail the basis for each such contention, identify all facts supporting each such contention, and produce all documents supporting each such contention.

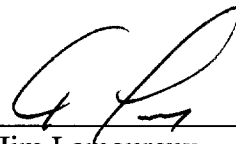
**Yes. See AT&T's responses to Data Request Nos. 10 and 13, above.**

17. Paragraph 11 of AT&T's Petition for Leave to Intervene states that "BST's subject tariff . . . would unreasonably and unjustly discriminate against non-BellSouth Tennessee customers and unduly prefer BellSouth's customers in violation of T.C.A. §§65-4-115, 65-4-122 and 65-5-204." Please explain in detail the basis for each such contention, identify all facts

supporting each such contention, and produce all documents supporting each such contention.

**Tennessee consumers using AT&T or other IXC's to complete intraLATA calls must pay much higher rates than those which would be charged by BST under the subject tariff as a result of the inflated intraLATA exchange access rates which AT&T and other IXC's must pay to BellSouth for the origination and termination of intraLATA toll calls. As repeatedly conceded by BellSouth, such access charges are well above the cost of providing such access, which results in AT&T and other IXC's incurring costs to provide intraLATA toll calls which BellSouth does not incur itself.**

Respectfully submitted,



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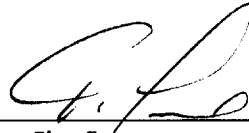
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Attorney for AT&T Communications  
of the South Central States, Inc.

June 25, 1999

**CERTIFICATE OF SERVICE**

I, James P. Lamoureux, hereby certify that a copy of the foregoing has been served via United States First Class Mail, postage prepaid to the following parties this 25<sup>th</sup> day of June, 1999.

A handwritten signature in cursive script, appearing to read "J. Lamoureux", is written over a horizontal line.

Jim Lamoureux

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